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# Performance and Motivations for Engaging in Corporate Social Responsibility (CSR) of Small and Medium-Sized Accommodation Enterprises (SMAEs)

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# **Performance and Motivations for Engaging in Corporate Social Responsibility (CSR) of Small and Medium-Sized Accommodation Enterprises (SMAEs)**

## **Introduction**

There has been various media emphasizing the importance of corporate social responsibility (CSR). The tourism industry has also been under growing pressure on implementing CSR and the pressure is expected to increase. Thus, tourism companies have recognized the importance of CSR and more research of CSR has been conducted (Holcomb and Smith 2015). However, most research on CSR in the tourism industry has focused on large corporations when the industry is dominated by small and medium-sized enterprises (SMEs). More recently, there has been an increasing interest in the role of SMEs regarding social issues. Some scholars emphasized that SMEs can contribute to sustainable tourism development through demonstrating CSR performance (Garay and Font 2012). Although some literature has recently drawn attention to issues regarding small and medium-sized tourism enterprises (SMTes) and CSR, there is a lack of empirical studies that understand CSR performance of SMTes in a practical business environment.

Therefore, this study aims to understand the CSR activities of small and medium-sized tourism enterprises, focusing on accommodation sector. The study also examines the motivation for CSR engagement of small and medium -sized accommodation enterprises (SMAEs). The research objectives of this project include: 1) to examine the corporate socially responsible activities of small and medium-sized accommodation enterprises and 2) to identify the motivations for the CSR engagement of small and medium-sized accommodation enterprises.

## **Literature Review**

### **Corporate Social Responsibility**

Corporate social responsibility is a complex term with abundance in definition and has lack in consensus (Dahlsrud, 2008; Garay and Font 2012). One of the most comprehensive definitions, as popularly used in previous literatures, defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (European Union 2002) and it is used for this study.

Corporate social responsibility has been understood within the stakeholder theory because corporations seek to focus on multiple stakeholders when adopting a CSR strategy. From a stakeholder perspective, CSR includes all stakeholders such as primary and secondary stakeholders. Primary stakeholders are those who have continuing participation in the corporation operation (Clarkson 1995). This group consists of shareholders, investors, employees, customers, and suppliers (Clarkson 1995). Secondary stakeholders are those who provide infrastructure and markets such as governments and communities, rather than participating in daily operation of corporation. CSR research based on stakeholder theory emphasizes that a corporation is responsible for outcome of its behaviors on all stakeholder groups largely because all stakeholders have a legitimate relationship with the corporation (Banerjee 2002).

## **CSR in SMAEs**

Traditionally, CSR has been recognized usually with regard to large corporations, so it is not surprising that CSR research tends to be conducted mainly on large corporations. Contemporary society, however, presses even small companies to be engaged in CSR performances. Recent literature has emphasized the importance of CSR performance in small and medium-sized enterprises. However, the important relationship between CSR and small businesses has been speculative and deep understanding of CSR performed in small business remains. Recently some research has focused on the CSR performance of SMEs (Santos 2011; Inyang 2013). Santos (2011) found that CSR practices among SMEs were commonly focused on the internal dimension (both the social and business dimensions). These findings were different from ones of most studies of CSR in large sized enterprises that emphasized the environmental aspects of CSR. The findings imply that CSR in the SMEs may be very different from the CSR of larger organizations, thus supporting the need for current study.

There are few studies examining what would motivate CSR of small and medium-sized enterprises. Some research on CSR motivations of SMEs conceptualized the motivating factors as the internal and external factors (Kusyk and Lozano 2007; Inyang 2013). The internal factors are based on internal decision making and external factors are the external pressure for CSR activities. The examples of internal motivations are manager's personal ethics or values and strong identification with the community. According to Inyang (2013), internal motivations incorporate ethical or moral motivations. Examples of external factors are pressure from franchiser and pressure from the community. However, other studies distinguished moral motivations from internal motivations, revealing ethical and moral motivations would be more important than internal motivations such as cost saving. Specifically, examining CSR among SMEs in Italy, Coppa and Sriramesh (2013) found that moral motivation for CSR is more important than internal motivations among SMEs. Also, Garay and Font (2013) found ethical and altruistic motivations such as environmental protection and social commitment are more important than economic and competitive motivations. In the research, external factors such as legitimization to public sector or hotel chains are shown be the least important. The specific research questions that guide this study are: 1) Which CSR activities do the Small and Medium Accommodation Enterprises perform? and 2) Which motivating factors are important to the Small and Medium Accommodation Enterprises to engage in CSR?

## **Methodology**

This section presents a brief overview of the project design of this research. First, a survey questionnaire was developed to measure the CSR performance and motivations for CSR performances of Small and Medium Accommodation Enterprises. The items included in the questionnaire were developed from previous research to measure CSR activities (Kusyk and Lozano 2007; Coppa and Sriramesh 2013; Inyang 2013)

Data were collected in Northern Colorado in spring 2016. The results from this pilot study will be also used to modify the questionnaire and to decide the proper sample size for the future study. The sample for this pilot study was the entire small and mediums sized accommodations in two cities, Greeley and Loveland, in Northern Colorado. The sampling criteria for selecting the accommodations were based on Ingram *et al.* (2000), whereby SMAEs have up to 100 rooms. The sampling framework was developed by online search and the website from the chamber of

commerce with 45 accommodations. The survey was released to 45 enterprises for the first round of data collection. 34 out of 45 were completed, yielding a response rate of 75.5%. The respondents were general managers or owners in Small and Medium Accommodation Enterprises in Northern Colorado.

## Results

### Sample Characteristics

Except for one respondent who was an owner, all of respondents stated that their job title was a general manager. The respondent sample was 50% female and 50% male, and 36% of respondents were 31-40 years old, 41-50 years old were 16% and 51-60 years old were 20 % of respondents.

Table 1 shows the characteristics of accommodation enterprises. The majority of the respondents SMAEs (69.3%) had fewer than 20 employees. Also half of the SMAEs (50.0%) had up to 50 rooms. 46.2% were family owned business and 52.0% were affiliated with a brand. The majority of the accommodations (77.3%) had average daily rate (ADR) ranging \$ 50- \$ 100, and 18.2% of the SMAEs had an ADR over \$ 101.

**Table 1.** Characteristics of Accommodations

Characteristics	% of total	Characteristics	% of total
The number of Employees		Daily Rate (ADR)	
Less than 5	23.1	Less than \$50	4.5
5-10	23.1	\$50-75	36.4
11-20	23.1	\$76-100	40.9
21-50	23.1	\$101-150	18.2
Over 50	30.8	A Family Owned Business	
The Number of Rooms		Yes	46.2
Less than 10	3.8	No	53.8
10-25	3.8	Affiliation to a Brand	
26-50	42.3	Yes	52.0
51-100	50.0	No	48.0

### CSR activities of SMAEs

Research question 1 sought to examine the CSR activities carried out by SMAEs in Northern Colorado. Respondents were asked to rate their actual involvement on 21 different types of CSR activities. Table 2 shows the actual CSR activities of SMAEs. Among 21 items of CSR activities, the most common CSR action was “Have staff salaries not below industry average” (M =4.46) followed by the items “Choose local staff wherever possible” (M =4.42) and “Seek to balance work and family life for the staff” (M= 4.24). The result shows that the most common CSR activities by SMAEs are the activities being internally oriented such as employee welfare and equality of employment. On the other hand, the least involved CSR activities by SMAEs are the activities related to charitable donations. The lowest mean scored item was “Donate percentage of profit to charity” (M = 3.23) followed by the item “Encourage customers to contribute to the charitable activities” (M = 3.27).

**Table 2.** Mean Scores of Corporate Social Responsible Performance

Item	Mean	S.D.
Have staff salaries not below industry average	4.46	.65
Choose local staff wherever possible	4.42	.86
Seek to balance work and family life for the staff	4.24	.89
Promote gender equality in the employment practice	4.23	.81
Encourage customers to respect the destination	4.15	.83
Choose suppliers that demonstrate their social responsibility	4.04	.92
Support to local community development	4.00	1.13
Encourage customers to consume local products	3.88	1.03
Adapt facilities for disabled people	3.85	1.29
Reduce in used of harmful chemicals	3.82	.73
Conduct energy and water saving activities	3.82	.75
To encourage customers to save energy and water	3.73	.92
Collaborate with social projects	3.73	.92
Use of environmentally friendly products	3.58	1.06
Choose suppliers that contribute local development	3.58	.94
Support to local heritage conservation	3.56	1.29
Encourage customers to contribute to social to contribute social initiatives	3.46	1.17
Encourage customers to contribute to initiatives for the protection of the environment	3.38	.85
Conduct water recycling	3.35	1.09
Encourage customers to contribute to the charitable activities	3.27	1.37
Donate percentage of profit to charity	3.23	1.34

### **Motivations of CSR activities**

Research question 2 sought to understand the motivation of CSR activities of SMAEs in Northern Colorado. Exploratory factor analysis was conducted to test the dimensionality of the motivations of CSR of the general manager of a SMAEs. It was expected that motivations for CSR activities of SMAEs have more than one dimension since enterprises practice CSR activities by various reasons ranging from ethical reasons to pressure from the external. In addition, previous research conceptually divided the motivations as internal and external motivations (Inyang 2013).

The exploratory factor analysis using a direct oblimin rotation with Kaiser normalization yielded three factors accounting for a total of 72.95% of the variance. The items that cross-load above 0.4 on multiple factors were deleted (Churchill 1979). The deleted items are “to save operation cost” and “to avail of public incentives”. Accordingly, 2 items were deleted, leaving a total of 11 items in the scale. Table 3 shows the factor loadings, items of each factor, and the mean scores of each item.

**Table 3.** Factor Analysis of Motivations of Corporate Social Responsibility Performance

Items of socially responsible behaviors	Factor loading	Eigen value	% of variance	Mean	SD
Factor 1( $\alpha = 0.85$ , $M = 3.83$ ):		4.66	42.38		1.57
Internal Motivations					
1. To improve relations with business partners/ investors.	0.95			3.65	1.01
2. To improve customer loyalty	0.83			4.00	0.89
3. To improve economic performance	0.77			3.92	0.93
4. To enhance community relations	0.72			4.12	0.86
5. To improve employee motivation	0.54			4.00	0.89
Factor 2 ( $\alpha = 0.82$ , $M = 3.23$ ):		2.08	18.95		
External Motivations					
1. Pressure from third parties (e.g. clients or competitors)	0.89			2.92	1.28
2. Pressure from the franchiser	0.85			3.17	1.34
3. To preserve or improve the reputation of the company	0.68			3.58	1.30
Factor 3 ( $\alpha = 0.69$ , $M = 3.97$ ):		1.28	11.63		
Ethical and Altruistic Motivations					
1. Ethical and moral reasons	0.93			4.27	0.83
2. To give something back to the community	0.79			3.58	1.36
3. A commitment to reducing the company's impact on the environment	0.50			3.42	1.36

Extraction method: Principal Component Analysis.

Rotation method: Oblimin with Kaiser Normalization.

a. Rotation converged in 9 iterations

c. Total variance explained in the data = 72.95%

The first factor was labelled “internal motivations” and it explained 42.38% of the variance. This dimension consisted of 5 items with factor loadings ranging from 0.95 to 0.54. This dimension was given its name because the items describe internal decision making autonomy for CSR activities. Examples of items were “to improve customer loyalty” and “to improve economic performance.” The second factor was named as “external motivations” and explained 18.95% of the variance with 3 items. The factor loadings of these items ranged from 0.89 to 0.68. Items of this dimension are relevant to the pressure from outside parties of SMAEs. The third factor was termed as “ethical and altruistic motivations” and explained 11.63% of the variance with 3 items. The factor loadings of these items ranged from 0.93 to 0.50. Items of this dimension are relevant to the ethical or altruistic reasons for CSR activities. The overall mean for each dimension reveals that the “ethical motivations” for CSR is the most important factor ( $M = 3.97$ ) followed by “internal motivations” ( $M = 3.83$ ). Not surprisingly, “external motivations” such as pressure from clients or the franchise were lowest in importance ( $M = 3.23$ ). Regarding the mean scores of each motivation item, scores ranged from 2.92 to 4.27. The SMAEs revealed the highest mean score ( $M = 4.27$ ) on “ethical and moral reasons”. The lowest mean scored item for the motivation was “pressure from the third parties” ( $M = 2.92$ ) followed by “pressure from franchiser” ( $M =$

3.17). Thus, SMAES are more likely to practice CSR activities by ethical and internal motivations than external pressure.

## **Conclusion and Discussion**

Since most research on CSR has dealt with large manufacturing corporations, there has been less attention on both SMAEs and tourism sector CSR. This study contributed to understanding the performance and motivations of corporate social responsibility of small and medium-sized accommodation enterprises. The results present how SMAEs performs CSR activities and what are the principal reasons for engaging in CSR.

First, SMAEs were more engaged with CSR activities for primary stakeholders than for the secondary stakeholders. Specifically, SMAEs were more supportive of the welfare of employees, the equality of employment, and responsible interaction with suppliers rather than supporting the community and preserving the environmental system. This finding may be due to the fact that implementing CSR activities for the primary stakeholder are more directly beneficial to the enterprises. The CSR activities for the secondary stakeholder such as community and environmental system required technological and financial support from SMAEs. In addition, CSR activities for the secondary stakeholder do not provide direct financial benefits in the short term. In conclusion, SMAEs focus on more CSR activities with positive outcomes for final performances.

Importantly as well, ethical and altruistic motivations were identified as main motivations of SMAEs for CSR engagement. The results showed that underlying CSR activities of SMAEs was internally oriented. External pressures were not important motivations for CSR engagement. Based on the results, this study can conclude that the internal factors that stimulate SMAEs to implement CSR can be used to elevate the value of their business. This is a pilot study trying to understand CSR performance of SMAEs. Future study with larger samples will provide more comprehensive understanding about CSR engagement of SMAEs.

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